

OKLAHOMA COUNTY FINANCE AUTHORITY

Financial Statements and
Independent Auditor's Report

June 30, 2013 and 2012

OKLAHOMA COUNTY FINANCE AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Oklahoma County Finance Authority

Report on Financial Statements

We have audited the accompanying financial statements of the Oklahoma County Finance Authority (the "Authority"), a component unit of Oklahoma County, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2013 and 2012, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

October 18, 2013

OKLAHOMA COUNTY FINANCE AUTHORITY

Management's Discussion and Analysis

The Oklahoma County Finance Authority (OCFA) is a public trust established pursuant to a trust indenture dated May 9, 1983. Under the trust indenture, the OCFA was created for the use and benefit of Oklahoma County under the provisions of Title 60, Oklahoma Statutes 1981, Sections 176 to 180.3, inclusive, as amended and supplemented, the Oklahoma Public Trust Act, and other applicable statutes of the State of Oklahoma.

The OCFA is authorized, in the furtherance of public purposes, to issue its revenue notes and bonds in order to provide funds for the development of commercial and industrial projects which will benefit Oklahoma County, including, but not limited to, educational, medical and housing projects. Pursuant to the respective trust indentures governing each project, the notes or bonds payable of each project do not constitute a debt, liability, or moral obligation of the State of Oklahoma, or any political subdivision thereof, or of Oklahoma County or the OCFA, nor does the indebtedness constitute a personal obligation of the trustees of the OCFA. The OCFA has no taxing power.

This section of the OCFA's annual financial report presents a discussion and analysis of its financial performance for the years ended June 30, 2013 and 2012. Please read it in conjunction with the financial statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The three financial statements presented are as follows:

- **Statement of Net Position** - This statement presents information reflecting the OCFA's assets, liabilities and net position. Net position represents the amount of total assets less total liabilities.
- **Statement of Revenues, Expenses and Changes in Net Position** - This statement reflects the operating revenues and expenses, as well as non-operating revenues and expenses, during the year. The primary operating revenues are annual fees. Operating expenses are limited to general and administrative expenses. The change in net position for an enterprise fund is similar to net profit or loss for a business.
- **Statement of Cash Flows** - This statement presents cash collections and payments by operating, investing and non-capital financing activities to arrive at the net increase or decrease in cash for the fiscal year.

The following tables summarize the financial position and results of operations of the OCFA for 2013, 2012 and 2011.

CONDENSED STATEMENTS OF NET POSITION

	2013	2012	2011
Assets			
Current assets	\$ 3,674,590	3,650,688	3,325,332
Noncurrent assets	53,892	64,929	60,000
	<u>\$ 3,728,482</u>	<u>3,715,617</u>	<u>3,385,332</u>
Liabilities and Net Position			
Current liabilities	\$ 3,487	35,887	4,463
Net position	3,724,995	3,679,730	3,380,869
	<u>\$ 3,728,482</u>	<u>3,715,617</u>	<u>3,385,332</u>

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2013	2012	2011
Operating revenues	\$ 246,480	395,166	171,926
Operating expenses	66,914	105,859	55,193
Operating income	179,566	289,307	116,733
Non-operating revenues (expenses), net	(134,301)	9,554	11,725
Change in net position	45,265	298,861	128,458
Net position at beginning of year	3,679,730	3,380,869	3,252,411
Net position at end of year	<u>\$ 3,724,995</u>	<u>3,679,730</u>	<u>3,380,869</u>

OKLAHOMA COUNTY FINANCE AUTHORITY

Management's Discussion and Analysis

FISCAL YEAR 2013

DEVELOPMENTS

Conduit Debt Obligations

The OCFA, as a conduit issuer, issued two conduit debt obligations during 2013 totaling \$89.2 million. Net principal pay downs on all conduit debt obligations totaled \$44.3 million during 2013. Outstanding conduit debt obligations increased from \$379.1 million to \$424.0 million from June 30, 2012 to June 30, 2013.

See note 3 to the financial statements for additional details and a listing of the OCFA's conduit debt obligations.

Transfer to Oklahoma County

During June 2013, the OCFA transferred \$150,000 to Oklahoma County to partially fund its SHINE (Start Helping Impacted Neighborhoods Everywhere) Program. The SHINE Program utilizes people sentenced to community service as laborers on public service projects. These projects benefit Oklahoma County schools, parks, roads and neighborhoods. The SHINE Program is operated by Oklahoma County. The transfer is reflected as a non-operating expense in the statement of revenues, expenses and changes in net position.

FINANCIAL HIGHLIGHTS

Statement of Net Position

Cash and Investments – Investments consist of certificates of deposits with maturities ranging from 6 to 12 months. Total cash and investments increased \$63,000 from \$3.46 million at June 30, 2012 to \$3.52 million at June 30, 2013. The increase was attributable to the current year change in net position.

Accounts Receivable – Accounts receivable consist of outstanding annual fees billed to conduit borrowers. Total accounts receivable decreased \$49,000 from \$155,000 at June 30, 2012 to \$106,000 at June 30, 2013. The decrease was attributable to the collection of current and noncurrent accounts receivable.

Unrestricted Net Position – Unrestricted net position increased \$45,000 from \$3.68 million at June 30, 2012 to \$3.72 million at June 30, 2013. The increase was attributable to the 2013 change in net position.

Statement of Revenues, Expenses and Changes in Net Position

Change in Net Position – The change in net position decreased \$254,000 from \$299,000 in 2012 to \$45,000 in 2013. The decrease was due to the \$150,000 transfer to Oklahoma County in 2013, and the \$125,000 recoveries on the allowance for uncollectible accounts in 2012.

Operating Revenues – Total operating revenues decreased \$149,000 from \$395,000 in 2012 to \$246,000 in 2013.

- Annual fees increased \$40,000 from \$195,000 in 2012 to \$235,000 in 2013. In consideration for issuing conduit debt through the OCFA, conduit borrowers are obligated to pay the OCFA an annual fee, which is based on outstanding conduit debt balances. The increase in annual fees is consistent with the increase in conduit debt obligations outstanding.
- Acceptance and application fees decreased \$64,000 from \$75,000 in 2012 to \$11,000 in 2013. In addition to annual fees, the OCFA can require conduit borrowers to pay the OCFA acceptance and application fees, which are based on specific transaction details of new conduit debt issuances.
- During 2012, the recoveries on the allowance for uncollectible accounts in totaled \$125,000. There were no such recoveries in 2013. See discussions of the 2012 recoveries on the following page.

Operating Expenses – General and administrative expenses decreased \$39,000 from \$106,000 in 2012 to \$67,000 in 2013. The decrease is attributable to the reduction in accounting fees from 2012 to 2013. Accounting expenses for 2013 returned to 2011 levels. See discussions of 2012 operating expenses on the following page.

Non-operating Revenues (Expenses) – Non-operating revenues (expenses) in 2013 include the \$150,000 transfer to Oklahoma County for its SHINE Program discussed above.

OKLAHOMA COUNTY FINANCE AUTHORITY

Management's Discussion and Analysis

FISCAL YEAR 2012

DEVELOPMENTS

Conduit Debt Obligations

Four conduit debt obligations totaling \$99.0 million were issued during 2012. Net principal pay downs on conduit debt obligations totaled \$47.0 million during 2012. Outstanding conduit debt obligations increased from \$327.1 million to \$379.1 million from June 30, 2011 to June 30, 2012.

Accounts Receivable

Due to the uncertainty in collecting the accounts receivable at June 30, 2011, the OCFA's 2011 financial statements reflected a \$125,000 allowance for uncollectible accounts. In July 2011, the OCFA embarked on an aggressive campaign to collect old outstanding accounts receivables. As a result of the successful collection campaign, the OCFA reversed the allowance for uncollectible accounts from \$125,000 at June 30, 2011 to zero at June 30, 2012.

FINANCIAL HIGHLIGHTS

Statement of Net Position

Cash and Investments – Total cash and investments increased \$334,000 from \$3.13 million at June 30, 2011 to \$3.46 million at June 30, 2012. The increase was attributable to the collection of accounts receivable and the current year change in net position.

Accounts Receivable – As discussed above, net accounts receivable at June 30, 2011 was reduced by \$125,000 for an allowance for uncollectible accounts. Net accounts receivable decreased \$27,000 from \$182,000 at June 30, 2011 to \$155,000 at June 30, 2012. The decrease was attributable to the collection of current and noncurrent accounts receivable offset by the recoveries on the allowance for uncollectible accounts.

Unrestricted Net Position – Unrestricted net position increased from \$3.38 million at June 30, 2011 to \$3.68 million at June 30, 2012. The \$299,000 increase is attributable to the 2012 change in net position.

Statement of Revenues, Expenses and Changes in Net Position

Change in Net Position – The change in net position increased \$171,000 from \$128,000 in 2011 to \$299,000 in 2012. The increase is due to the \$223,000 increase in operating revenues offset by a \$51,000 increase in operating expenses.

Operating Revenues – Total operating revenues increased \$223,000 from \$172,000 in 2011 to \$395,000 in 2012.

- As a result of reversing the \$125,000 allowance for uncollectible accounts during fiscal year 2012 discussed above, the OCFA recognized \$125,000 in recoveries on its allowance for uncollectible accounts in 2012. There were no such recoveries in 2011.
- Annual fees increased \$23,000 from \$172,000 in 2011 to \$195,000 in 2012, which is consistent with the increase in outstanding conduit debt obligations.
- Acceptance and application fees increased \$75,000 from 2011 to 2012. The conduit debt obligations issued in 2012 generated \$75,000 of acceptance and application fees during 2012. There were no acceptance and application fees in 2011 as there were no conduit debt issuances in 2011.

Operating Expenses – General and administrative expenses increased \$51,000 from \$55,000 in 2011 to \$106,000 in 2012. The increase is attributable to the additional accounting fees necessary to address the accounts receivable issues discussed above, as well as other accounting matters.

OKLAHOMA COUNTY FINANCE AUTHORITY

Management's Discussion and Analysis

CONTACTING THE OCFA

This financial report is designed to provide citizens and interested parties with a general overview of the OCFA's finances and to demonstrate the OCFA's accountability for its finances. If you have questions about this report or need additional financial information, contact:

J. Kelly Work, General Counsel
Oklahoma County Finance Authority
105 North Hudson, Suite 304
Oklahoma City, Oklahoma 73102.
Telephone: (405) 232-2790 or (405) 235-2329

OKLAHOMA COUNTY FINANCE AUTHORITY

Statements of Net Position June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current assets		
Cash	\$ 1,805,492	1,995,047
Accounts receivable	52,021	89,611
Accrued annual fees	96,320	96,110
Investments	1,716,947	1,464,216
Other current assets	3,810	5,704
Total current assets	<u>3,674,590</u>	<u>3,650,688</u>
Noncurrent assets		
Accounts receivable	<u>53,892</u>	<u>64,929</u>
Total assets	<u>\$ 3,728,482</u>	<u>3,715,617</u>
 Liabilities		
Current liabilities		
Accounts payable	\$ <u>3,487</u>	<u>35,887</u>
Total current liabilities	<u>3,487</u>	<u>35,887</u>
 Net Position		
Unrestricted	<u>3,724,995</u>	<u>3,679,730</u>
Total net position	<u>3,724,995</u>	<u>3,679,730</u>
Total liabilities and net position	<u>\$ 3,728,482</u>	<u>3,715,617</u>

See accompanying notes to the financial statements.

OKLAHOMA COUNTY FINANCE AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Annual fees	\$ 235,170	194,971
Acceptance and application fees	11,310	75,385
Recoveries on the allowance for uncollectible accounts	—	124,810
Total operating revenues	<u>246,480</u>	<u>395,166</u>
Operating Expenses		
General and administrative expenses	66,914	105,859
Total operating expenses	<u>66,914</u>	<u>105,859</u>
Operating income	179,566	289,307
Non-operating Revenues (Expenses)		
Transfer to Oklahoma County	(150,000)	—
Interest income	15,699	9,554
Total non-operating revenues (expenses)	<u>(134,301)</u>	<u>9,554</u>
Change in net position	45,265	298,861
Net position at beginning of year	<u>3,679,730</u>	<u>3,380,869</u>
Net position at end of year	<u>\$ 3,724,995</u>	<u>3,679,730</u>

See accompanying notes to the financial statements.

OKLAHOMA COUNTY FINANCE AUTHORITY

Statements of Cash Flows Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Cash received for annual fees	\$ 283,587	322,903
Cash received for acceptance and application fees	11,310	75,385
Operating expenses paid	(96,914)	(73,725)
Net cash provided by operating activities	<u>197,983</u>	<u>324,563</u>
Cash Flows From Noncapital Financing Activities		
Cash paid to Oklahoma County	(150,000)	—
Net cash used in noncapital financing activities	<u>(150,000)</u>	<u>—</u>
Cash Flows From Investing Activities		
Proceeds from maturities of investments	1,978,132	5,210,716
Purchases of investments	(2,230,863)	(4,016,593)
Interest income received on investments	15,193	9,540
Net cash provided by (used in) investing activities	<u>(237,538)</u>	<u>1,203,663</u>
Net increase (decrease) in cash	(189,555)	1,528,226
Cash at beginning of year	<u>1,995,047</u>	<u>466,821</u>
Cash at end of year	<u>\$ 1,805,492</u>	<u>1,995,047</u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 179,566	289,307
Adjustments to reconcile operating income to net cash provided by operating activities:		
Recoveries on the allowance for uncollectible accounts	—	(124,810)
Changes in operating assets and liabilities:		
Accounts receivable and accrued fees	48,417	127,932
Other current assets	2,400	710
Accounts payable	(32,400)	31,424
Net cash provided by operating activities	<u>\$ 197,983</u>	<u>324,563</u>

See accompanying notes to the financial statements.

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2013 and 2012

1 ORGANIZATION

The Oklahoma County Finance Authority (OCFA) is a public trust established pursuant to a trust indenture dated May 9, 1983. Under the trust indenture, the OCFA was created for the use and benefit of Oklahoma County under the provisions of Title 60, Oklahoma Statutes 1981, Sections 176 to 180.3, inclusive, as amended and supplemented, the Oklahoma Public Trust Act, and other applicable statutes of the State of Oklahoma.

The OCFA is authorized, in the furtherance of public purposes, to issue its revenue notes and bonds in order to provide funds for the development of commercial and industrial projects which will benefit Oklahoma County, including, but not limited to, educational, medical and housing projects. Pursuant to the respective trust indentures governing each project, the notes or bonds payable of each project do not constitute a debt, liability, or moral obligation of the State of Oklahoma, or any political subdivision thereof, nor does the indebtedness constitute a personal obligation of the trustees of the OCFA. The OCFA has no taxing power.

The OCFA's Board of Trustees is appointed by the County Commissioners of Oklahoma County. In addition, the County Commissioners ultimately approve all conduit notes and bond obligations issued by the OCFA.

The OCFA is considered a discretely presented component unit of Oklahoma County and its financial statements are included in Oklahoma County's comprehensive annual financial report.

METHOD OF ACCOUNTING

The OCFA is accounted for as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is for costs and expenses (including depreciation) of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

OCFA OPERATIONS

The primary operating revenue of the OCFA is from annual fees charged to the conduit borrowers on the outstanding conduit debt balances. Additionally, the OCFA may charge conduit borrowers one time acceptance fees on new issuances.

Non-operating revenues consist of interest income. The OCFA's operating expenses include expenses incurred as normal costs of carrying out its mission. These include but are not limited to rent, contracted and professional expenses, and other general and administrative costs.

CONDUIT DEBT ACTIVITIES

The OCFA arranges for nonrecourse debt through trustee banks on the bond or note agreements it administers. At approximately the same time, the OCFA enters into note agreements with the conduit borrowers. The note agreements transfer title to the borrower at the inception of the agreement. Such transactions would normally result in the recording of a receivable and corresponding debt by the OCFA; however, due to the nonrecourse nature of the related debt instruments, and because the OCFA acts only in a trustee capacity for the proceeds of the debt instruments, such assets and liabilities are not recorded by the OCFA.

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2013 and 2012

FUND ACCOUNTING

The trust indenture agreements for the OCFA's conduit bond and note issues create project (or revenue) funds into which all revenue and income from the various trust estates are deposited. Certain of the trust indentures also provide for the creation of additional funds, known as sinking funds, reserve funds, and renewal and replacement funds, in which prescribed mandatory balances are accumulated to be used ultimately for the retirement of bonds and to provide assurance against default in the payment of interest and principal.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the OCFA are presented in conformity with accounting principles generally accepted in the United States of America as applied to state and local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

BASIS OF ACCOUNTING

These financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

INVESTMENTS

Investments consist of nonnegotiable certificates of deposit with original maturities exceeding three months. The certificates of deposit are carried at cost, which approximates fair value.

ACCOUNTS RECEIVABLE

Accounts receivable consist of outstanding annual fees billed to conduit borrowers. Those amounts not expected to be collected within one year are reported as noncurrent assets in the accompanying statement of net assets.

Management continually assesses the need for an allowance for uncollectible accounts for estimated losses resulting from the inability of third parties to make required payments. When deemed appropriate, the OCFA records an allowance for uncollectible accounts with a charge against operating revenues. Balances that remain outstanding after the OCFA has used reasonable collection efforts are written off against the allowance for uncollectible accounts.

Management considers all accounts receivable to be fully collectible at June 30, 2013. As such, there is no allowance for uncollectible accounts recorded at such date.

At June 30, 2011, the OCFA's allowance for uncollectible accounts approximated \$125,000. During 2012, the at-risk receivables were either collected or a repayment plan was agreed to by both parties. At June 30, 2012, management determined that this allowance for uncollectible accounts should be zero. As a result, the recoveries in the allowance for uncollectible accounts is included separately in the 2012 operating revenues on the statements of revenues, expenses, and changes in net position.

INCOME TAXES

As a political subdivision of the State of Oklahoma, the OCFA is exempt from federal and state income taxes.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes; accordingly, actual results could differ from those estimates.

ADOPTION OF NEW ACCOUNTING STANDARD

During 2013, the OCFA implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The implementation of GASB Statement No. 63 had the effect of changing the previous "Statements of Net Assets" to the "Statements of Net Position". Certain prior amounts have been reclassified to conform to the current year presentation.

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2013 and 2012

3 CONDUIT DEBT OBLIGATIONS

As indicated in Note 1, the activities of the OCFA consist primarily of arranging financing to industrial, commercial and other various organizations in an effort to promote economic development which will benefit Oklahoma County. Over time, these transactions have taken on various forms, including notes and bonds. The OCFA loans the proceeds from the notes and bonds to the organizations, or the OCFA leases the facilities acquired with the proceeds to the organizations under financing lease arrangements providing for transfer of the property to such organizations at the end of the lease.

The notes and bonds issued by the OCFA are special and limited obligations of the OCFA, payable solely out of revenues derived from and in connection with the underlying loan agreements and the underlying security provided under the loan agreements. The OCFA, Oklahoma County, the State of Oklahoma, or any other political subdivision thereof is not obligated, in any manner, for repayment of the notes and bonds. Accordingly, the notes and bonds are not reported as liabilities in the accompanying financial statements nor are the related investments reported as assets.

Since the OCFA was established, some financed projects have defaulted in the payment of principal and interest on OCFA's conduit debt obligations. Since the notes and bonds issued by the OCFA are only limited obligations of the OCFA, the OCFA has not incurred any losses as a result of these defaults.

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2013 and 2012

A summary of conduit debt obligations at June 30, 2013 and 2012 is as follows:

Project	Issuance Month	Original Amount	2013	(Restated) 2012
Single Family Mortgage Revenue Bonds (GNMA ARM Mortgage-Backed Securities Program) Series 1995	Nov 1995	\$ 13,000,000	1,002,546	1,097,225
Revenue Refunding Bonds (Epworth Villa Project) Series 1997A	Mar 1997	17,630,000	—	3,830,000
Revenue Note (OmniDome Project) Series 1999	May 1999	1,531,500	102,100	204,200
Revenue Bonds (Epworth Villa Project) Series 2000B	Dec 2000	3,000,000	—	3,000,000
Multifamily Housing Revenue Bonds (ChapelRidge of North Edmond Project) Series 2003	May 2003	8,250,000	7,816,724	7,883,936
Multifamily Housing Revenue Refunding Bonds (ChapelRidge of MWC Tinker Project) Series 2004	Jun 2004	7,800,000	7,451,708	7,512,374
Multifamily Housing Revenue Refunding Bonds (Rockwell Villa Apartments Project) Series 2004	Dec 2004	2,500,000	1,368,755	1,409,469
Multifamily Housing Revenue Bonds (London Square Apartments Project) Series 2004	Dec 2004	9,000,000	6,217,203	6,486,809
Variable Rate Demand Multifamily Housing Revenue Bonds (SAIL Associates, LLC Project) Series 2004	Dec 2004	6,900,000	—	6,435,000
Revenue Refunding Bonds (Epworth Villa Project) Series 2004A	Jan 2005	10,410,000	—	8,505,000
Series 2004B		5,040,000	3,500,000	3,500,000
Retirement Facility Revenue Bonds (Concordia Life Care Community) Series 2005A	Nov 2005	26,330,000	25,140,000	25,560,000
Series 2005B-1		3,500,000	3,500,000	3,500,000
Series 2005B-2		4,000,000	4,000,000	4,000,000
Revenue Refunding Bonds (Epworth Villa Project) Series 2005A	Dec 2005	11,460,000	10,745,000	10,995,000
Series 2005B		2,000,000	2,000,000	2,000,000
Educational Facilities Lease Revenue Bonds (Millwood Public Schools Project) Series 2007	Aug 2007	5,460,000	3,895,000	4,295,000
Educational Facilities Lease Revenue Bonds (Jones Public Schools Project) Series 2008	Sep 2008	9,825,000	8,725,000	9,690,000

(continued)

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2013 and 2012

Project	Issuance Month	Original Amount	2013	(Restated) 2012
Educational Facilities Lease Revenue Bonds (Western Heights Public Schools Project) Series 2009	Jun 2009	\$ 43,840,000	36,480,000	41,075,000
Industrial Development Revenue Notes (Southwest Electric Co. Project) Series 2009	Jun 2009	7,085,000	—	912,281
Educational Facilities Lease Revenue Bonds (Choctaw-Nicomma Park Public Schools Project) Series 2009A	Jul 2009	7,165,000	5,245,000	6,515,000
Series 2009B		53,585,000	53,585,000	53,585,000
Educational Facilities Lease Revenue Bonds (Crooked Oak Public Schools Project) Series 2009A	Aug 2009	10,480,000	8,840,000	9,690,000
Educational Facilities Lease Revenue Bonds (Putnam City Public Schools Project) Series 2010	Mar 2010	49,820,000	14,715,000	23,835,000
Educational Facilities Lease Revenue Bonds (Deer Creek Public Schools Project) Series 2010A	Apr 2010	51,800,000	46,335,000	49,860,000
Educational Facilities Lease Revenue Bonds (Bethany Public Schools Project) Series 2011A	Oct 2011	2,205,000	1,735,000	2,205,000
Series 2011B		60,000	—	60,000
Lease Revenue Bonds (Oklahoma City County Health Department Project) Series 2012	Jan 2012	8,395,000	8,065,000	8,395,000
Educational Facilities Lease Revenue Bonds (Midwest City-Del City Public Schools Project) Series 2012	Feb 2012	72,620,000	63,590,000	72,620,000
Lease Revenue Notes (Deer Creek Public Schools Project) Series 2012	Jun 2012	15,705,000	11,457,859	490,000
Educational Facilities Lease Revenue Bonds (Luther Public Schools Project) Series 2012	Sep 2012	10,560,000	10,560,000	—
Revenue Bonds (Epworth Villa Project) Series 2012A	Dec 2012	72,765,000	72,080,000	—
Series 2012B		2,605,000	2,605,000	—
Series 2012C		3,265,000	3,265,000	—
		\$ 559,591,500	424,021,895	379,146,294

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2013 and 2012

4 DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the OCFA may not recover its deposits. The OCFA's policy to minimize its exposure to custodial credit risk for deposit is that all deposits shall either be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the cognizant Federal Reserve Bank or invested in United States government obligations, and direct debt obligations of municipalities, counties and school districts in the State of Oklahoma, in the OCFA's name. The OCFA's bank balance of \$1.8 million and \$2.0 million, at June 30, 2013 and 2012, respectively, is fully insured or collateralized with securities.

Investments

As of June 30, 2013 and 2012, the OCFA had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Ratings</u>
2013			
Certificates of deposit	\$ 1,716,947	0.86	N/A
2012			
Certificates of deposit	\$ 1,464,216	0.84	N/A

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The OCFA minimizes its exposure to interest rate risk by limiting the duration of certificates of deposits or other fixed-income securities.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The OCFA minimizes its exposure to investment credit risk by adopting investment policies that comply with Oklahoma State statutes. As a result, investments are limited to the following:

- Direct obligations of the United States government, its agencies and instrumentalities to the payment of which the full faith and credit of the government of the United States is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged;
- Obligations of the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, or any Federal farm credit bank, Federal land bank, or Federal home loan bank notes or bonds;
- Collateralized or insured certificates of deposit;
- Repurchase agreements that have underlying collateral of direct obligations or obligations of the United States government, its agencies and instrumentalities; and
- Money market funds and repurchase agreements which investments consist of the authorized investments of United States government agency obligations with restrictions as specified in state law.

The OCFA has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations and agencies as of year end. Unless there is information to the contrary, obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality.

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

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Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the OCFA will not be able to recover the value of its investments. The OCFA minimizes its exposure to custodial credit risk for investments by adopting investment policies that comply with Oklahoma State statutes discussed above. At June 30, 2013 and 2012, the OCFA's investments are certificates of deposit in local banks. The OCFA's \$1.7 million and \$1.5 million portfolio of certificates of deposit at June 30, 2013 and 2012, respectively, is fully insured or collateralized with securities.

5 TRANSFER TO OKLAHOMA COUNTY

During June 2013, the OCFA transferred \$150,000 to Oklahoma County to partially fund its SHINE (Start Helping Impacted Neighborhoods Everywhere) Program. The SHINE Program utilizes people sentenced to community service as laborers on public service projects. These projects benefit Oklahoma County schools, parks, roads and neighborhoods. The SHINE Program is operated by Oklahoma County.

6 RELATED PARTY TRANSACTIONS

The OCFA held certificates of deposits totaling \$353,000 and \$351,000 at June 30, 2013 and 2012, respectively, from a bank where the OCFA's Chairman serves as President and Chief Executive Officer. The OCFA's initial investment in certificates of deposits at this bank began before the OCFA's Chairman was a trustee of the Authority. Interest rates on these certificates of deposits are comparable to the portfolio of certificates of deposits. As discussed in note 4, these certificates of deposits, as with all certificates of deposits in the portfolio, are fully insured or collateralized with securities.

7 CONTINGENCIES

From time to time, the OCFA may be named as a defendant in foreclosure or other proceedings against a project in which the OCFA has issued its revenue bonds or notes. However, as described in Note 1, the OCFA is not obligated, in any manner, for repayment of the bonds or notes. Therefore the financial statements do not include any provisions for loss contingencies.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Oklahoma County Finance Authority
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma County Finance Authority (the "Authority"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Orledge & Associates, P.C.

October 18, 2013